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C O N F I D E N T I A L SECTION 01 OF 02 WELLINGTON 000569

SIPDIS

STATE FOR EAP/ANP, EAP/CM, EAP/PD, ECA, ECA/A/E/EAP
COMMERCE FOR 4530/ITA/MAC/AP/OSAO/ABENAISSA

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TAGS: [ECON](#) [PREL](#) [NZ](#) [CH](#)

SUBJECT: WITH LOSS OF CHINESE STUDENTS, NEW ZEALAND'S
EDUCATION INDUSTRY SUFFERS DECLINE

REF: 03 WELLINGTON 1295

Classified by Charge d'affaires David R. Burnett. Reason:
1.4 (b) and (d).

1. (U) Summary: A sharp drop in the number of English-language students from China -- partly orchestrated by the Chinese government -- has reduced overall foreign student enrollments in New Zealand schools. To revive the international education industry, the New Zealand government is refocusing on promotion of its universities to foreign students. End summary.

2. (U) There were 102,136 fee-paying students in New Zealand in 2003-04, down 15 percent from the previous year. But that drop in headcount barely nudged the revenue that New Zealand collects from the tuition paid by international students, the nation's fourth-largest source of foreign exchange after agriculture, tourism and wood products. The international education industry generated NZ \$2.19 billion (US \$1.5 billion) in revenue in 2003-04, about a 1 percent decrease from the previous year. That was the first decrease since 1998, when both revenue and enrollment numbers dipped amid the Asian financial crisis.

3. (U) Over the last year, the fall in enrollment and income was largely due to fewer foreign students enrolling in English-language courses and secondary schools. By contrast, enrollments were up for foreign students attending university and post-graduate programs, which charge higher fees. The government changed the law in 1989 to allow full fee-paying foreign students.

Fewer Chinese students

4. (U) China is the source of 32 percent of foreign students in New Zealand. Although that is the largest group of foreign students here, the number of Chinese students in New Zealand has declined in each of the last two years. From 2002-03 to 2003-04, the overall number of Chinese students fell from 37,150 to 32,877, or 11.5 percent. In terms of those who came to New Zealand to study English, the decline was 32.7 percent.

5. (U) That decrease is the result of stiffer competition from other countries for Chinese students and a stronger New Zealand dollar, which reduced New Zealand's attractiveness as an educational destination. It also resulted from negative media stories in China on the collapse of two private English-language schools in New Zealand that enrolled substantial numbers of Chinese students and on Chinese students' involvement in prostitution, gambling, drug abuse and gang activity in the country (reftel).

6. (C) The decrease also reflects an effort by the Chinese government to reduce the number of Chinese who study overseas. The government's primary aim has been to prevent a drain in foreign exchange. The Chinese Embassy's education consul in Wellington also has been working actively to reduce the numbers of Chinese students in New Zealand, according to Robert Stevens (protect), chief executive of Education New Zealand. The consul -- who has openly admitted he does not like living in New Zealand -- has sent messages back to Beijing portraying the country as inhospitable to Chinese students, its teachers as incompetent and its people as racist, Stevens said. Education New Zealand is a private industry association that promotes the country as a study destination.

7. (C) While unhappy over the growing numbers of its citizens studying in New Zealand, the Chinese government also has accused the New Zealand government of failing to maintain high educational standards and adequate pastoral care of international students, Stevens said. He added that Chinese officials' displeasure with New Zealand especially hardened after the collapse of the two English-language schools. Chinese Ministry of Education officials insisted that the New Zealand government compensate the schools' Chinese students for their financial losses.

8. (C) New Zealand officials feel they have bent over backward to satisfy the Chinese, and Stevens believes that

New Zealand is rebuilding the relationship. The New Zealand government pressured other private language schools to accept the Chinese students abandoned by the two failed institutions and paid their accommodation costs and some tuition fees. Minister of Education Mallard makes frequent visits to Beijing. The education consul in Wellington is expected to finish his assignment soon.

9. (C) Meanwhile, a growing number of English-language schools are springing up in China, against which New Zealand cannot compete on cost. While Stevens expects the number of Chinese students to increase again in New Zealand, he does not expect them to reach their peak level of 2001-02. More English-language schools are expected to close in New Zealand.

10. (C) In the China-New Zealand negotiations over a free-trade agreement, which began in December 2004, Education New Zealand has asked the New Zealand government to pursue provisions that would allow free and open trade in education services. In particular, Education New Zealand has urged the government to obtain commitments by China to the General Agreement on Trade in Services that would match New Zealand's. While New Zealand negotiators expressed optimism over achieving an overall agreement with China, they also warned Stevens that obtaining Chinese concessions on services would be extremely difficult.

More university students

11. (U) Meanwhile, the New Zealand government last year decided that it must attract more foreign students to its university and postgraduate programs to sustain and increase revenue from its international education industry.

12. (U) With that goal in mind, the government has allocated NZ \$70 million (US \$47.5 million) to be spent over five years beginning in 2004-05 -- more than a fivefold increase in government spending on international education. The funds will go toward scholarships. They also will compensate universities for reducing fees charged to foreign doctoral students and will pay the school fees charged for those students' school-age children. The allocation will fund four overseas educational counselors to monitor education policies in key markets, including China, the United States, Malaysia and Belgium. A counselor is in place in Beijing, and a counselor is now being selected for Washington.

13. (U) The government also changed its immigration policy with a view to luring more foreign students. Beginning July 4, foreign students can work 20 hours a week in New Zealand, as well as six months after they complete their studies.

14. (C) Stevens noted that Americans compose the fastest-growing group of foreign students at the university level in New Zealand. From 2003 to 2004, the overall number of Americans studying in New Zealand rose 44.5 percent, to 1,917. Stevens said that most American university students stay for one or two semesters and that most come "to have fun." They are attracted to New Zealand for the same reasons growing numbers of tourists are: its natural beauty, its outdoor activities and its reputation as a relatively safe destination.

15. (U) The United States -- along with Australia, Canada and the United Kingdom -- also serves as a growing competitor to New Zealand for foreign university and postgraduate students.

16. (C) Comment: While the New Zealand government has scrambled to appease Beijing's complaints, Chinese student enrollments continue to fall. The New Zealand government's efforts appear not to have paid off, partly because of market forces beyond its control. It is unclear whether the government has taken this lesson into account in its negotiations with China on a free-trade agreement.
Burnett